TASK: Read the target words. Practice using them by means of the exercises presented here.

LESSON 20

Financial Systems

Target Words

1. allocate
2. commodity
3. decline
4. equity
5. inflation
6. net
7. per capita
8. regulate
9. subsidy
10. tangible

Definitions and Samples

1. **allocate** *v.* To give out different amounts for different purposes

The budget **allocates** $58 billion to the military and only about $2 billion to education.

Usage tips Things that can be *allocated* are things that can be "spent"—money, time, energy, etc.

Parts of speech allocation *n*

2. **commodity** *n.* A thing that can be bought and sold, such as grain, oil, or wood

Tulip bulbs were one of the most valuable **commodities** in seventeenth-century Holland.

Usage tips A thing is called a *commodity* only in the context of buying or selling it.

3. **decline** *v.* To decrease in power or amount

America's railroads **declined** because the automobile dominated American life.

Parts of speech decline *n*

4. **equity** *n.* The value of one's share in an investment

Barnard's **equity** in the business was one-third, or about $350,000.

Usage tips In this meaning, *equity* is always singular and usually followed by an *in* phrase.

5. **inflation** *n.* A situation in which prices for many items rise quite fast

During the rapid **inflation** of the 1970s, prices for food and fuel sometimes rose 20 percent in a single month.

Parts of speech inflate *v*, inflationary *adj*

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6. **net** *adj.* After all costs have been subtracted from an amount

My gross salary is around $35,000, but my **net** pay is closer to $29,000.

Parts of speech net *v*, net *n*

7. **per capita** *adv.* For each person

Research shows we're likely to sell 15 light bulbs **per capita** per year in medium-sized cities.

Parts of speech per capita *adj*

8. **regulate** *v.* Control according to a set of rules

Trading on the New York Stock Exchange is **regulated** by officials of the exchange and by federal law.

Parts of speech regulation *n*, regulatory *adj*

9. **subsidy** *n.* Money given by a government or other organization to support an activity

Federal **subsidies** to grain farmers have helped them stay in business despite three years of bad weather.

Parts of speech subsidize *v*

10. **tangible** *adj.* Obviously real because it can be seen, touched, or otherwise observed

One **tangible** benefit of putting electrical cables underground is a clearer view of the sky.

TOEFL Prep I Cross out the one word or phrase that doesn't fit into each of the lists.

1. things that can be allocated
   money time temperature attention
2. kinds of commodities
   oil sadness corn meat
3. tangible things
   fairness a road trees money
4. things you can have equity in
   a company a house a child a racehorse

TOEFL Prep II Circle the word that best completes each sentence.

1. Buy a car now, before (equity / inflation) drives the price up.
2. Most investors make a mistake. During a stock-market (decline / subsidy) they get frightened and sell.

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3. The government is giving a (regulation / subsidy) to tobacco farmers so they can compete with foreign producers.
4. Cortecal Inc. estimates that it spends $80.00 (per capita / net) on its annual picnic and on its New Year party for the company's 1,300 employees.
5. I think that artificial "holidays" like Valentine's Day or Secretary's Day are just an attempt to turn private feelings into a(n) (commodity / equity).

TOEFL Success Read the passage to review the vocabulary you have learned. Answer the questions that follow.

The great unsettled question of economics is: "How much should the government *regulate* business?" Conservatives generally argue for a *decline* in government involvement, but they favor certain *subsidies* to farmers, steelmakers, or airplane manufacturers. Some conservatives also see no conflict between their small-government views and their eagerness for the government to *allocate* more money for roads into national forests. The *net* result of these incursions into national forests is a *tangible* infrastructure that helps some companies but not the public. Publicly owned trees, land, and oil become *commodities* from which a few private companies (many owned by small-government conservatives) profit. No *per capita* benefit goes to the American people, **aside perhaps from** the brief anti-*inflation* effect that comes with new oil exploration.

Bonus Structure—**Aside perhaps from** *means "maybe except for."*

1. What is the main idea of this reading?
   a. Conservatives have tried to keep others from expanding government regulations.
   b. Even though conservatives say they want to limit government involvement in business, they actually do often favor it.
   c. There are several views about the proper role for government in business.
   d. Small-government conservatives want the government to allocate a certain amount of federal money per capita to help all Americans.
2. Which of the following does the author claim?
   a. Industries will become subsidies.
   b. Oil exploration causes inflation.
   c. Some elements of nature will become commodities.
   d. Infrastructure will be made of trees, oil, and land.

LIVEWORKSHEETS

Wealth and Social Class

Target Words

1. accumulate
2. affluence
3. elite
4. impoverish
5. luxury
6. nobility
7. prestige
8. privileged
9. prosper
10. working class

Definitions and Samples

1. **accumulate** *v.* To build up a large amount of something

   Over several generations, the Hardington family **accumulated** vast wealth by buying and selling land.

   Parts of speech accumulation *n*

2. **affluence** *n.* Wealth and the style of life that goes with it

   Mohadzir grew up amid **affluence,** which poorly prepared him for his grad student days in crowded apartments with no servants.

   Parts of speech affluent *adj*

3. **elite** *adj.* Belonging to a special, honored group

   Messner is an **elite** climber who recently ascended an 8,000-meter mountain without extra oxygen.

   Parts of speech elite *n,* elitist *adj*

4. **impoverish** *v.* To make a person or group poor

   The collapse of the steel industry **impoverished** several counties in eastern Ohio.

   Parts of speech impoverishment *n*

5. **luxury** *n.* Extreme comfort, beyond what anyone needs

   Automakers try to give their cars an image of **luxury** by including extras like heated seats and satellite tracking systems.

   Parts of speech luxuriate *v,* luxurious *adj*

6. **nobility** *n.* A group of socially prominent people with special titles given by a king or queen, such as "duke" or "countess"

   In the Middle Ages, the **nobility** supposedly followed a code that required them to take care of poorer people who lived near their estates.

   Usage tips *Nobility* is used as a name for a group of distinguished people; it can also mean "a highly dignified form of behavior."

   Parts of speech noble *n,* noble *adj*

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7. **prestige** *n.* Honor and respect for being better than the average

The Grassleys enjoyed the **prestige** of living in the historic town, but they did not feel at home there.

Parts of speech prestigious *adj*

8. **privileged** *adj.* Able to enjoy special advantages because of one's position (usually because of being born into a wealthy or powerful family)

Despite his **privileged** position in one of America's most powerful families, the politician tried to portray himself as an ordinary person.

Parts of speech privilege *n*

9. **prosper** *v.* To do very well in one's business or personal life

Vargas **prospered** after finally patenting his new inventions.

Usage tips A person can prosper; so can a group, a company, or an area.

Parts of speech prosperity *n*, prosperous *adj*

10. **working class** *n.* People with low-paying (often unskilled) jobs who are not poor but who are not securely in the middle class

The Farrelly family, like other members of the **working class,** were proud of their jobs and did not want any handouts from charity or the government.

TOEFL Prep I Find the word or phrase that is closest in meaning to each word in the left-hand column. Write the letter in the blank. Note: Many words in this chapter are similar in meaning. Pay careful attention to small differences in meaning.

_____ 1. impoverish	(a) enjoying special advantages
_____ 2. elite	(b) to succeed
_____ 3. prosper	(c) to make extremely poor
_____ 4. accumulate	(d) belonging to a small group with excellent achievements
_____ 5. privileged	(e) build up wealth

TOEFL Prep II Complete each sentence by filling in the blank with the best word or phrase from the list. Change the form of the word if necessary. Use each word only once.

affluence *luxury* *nobility* *prestige* *working class*

1. The _____ in the hotel was obvious from such features as solid-gold faucets and stairs made of Italian marble.

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2. In a show of his extreme _____, Jim Lavich flew 1,500 people to the Bahamas for his wife's birthday party and ordered 300 casks of wine for them to drink.

3. The oldest and most respected furniture maker in western Michigan, VanEden Inc., earned its _____ by using good materials and listening to its customers.

4. France's _____ was dismantled after the royal family was killed and lesser aristocrats were jailed during the revolution.

5. In the United States, many _____ families do not have health insurance because their employers don't offer it.

TOEFL Success Read the passage to review the vocabulary you have learned. Answer the questions that follow.

The United States is not the land of equal opportunity. There are no titles of *nobility* as in Europe, but astounding *affluence* is passed on in *privileged* families, and this makes all the difference. **Studies in the 1970s** found that a child of the *elite* and a child of the *working class* may start out with similar intelligence and drive, but the rich child is about 30 times more likely to *prosper*. The rich child goes to high-*prestige* schools, where his or her education may be only slightly above average, but where the child *accumulates* friendships with future leaders. The privileged child becomes comfortable with *luxury* and is at ease in situations where powerful people meet. The working-class child from a less-prestigious college is not likely to wind up *impoverished*, but neither is he or she likely to attend many parties of Yale or Vassar alumni.

Bonus Structure— The reference to **studies in the 1970s** *indicates some objective evidence for the author's point.*

1. Which sentence best expresses the essential information of this passage?
   a. The American economy is unfair and must be changed.
   b. Rich people have natural advantages in education and social contacts that help them succeed.
   c. Children accept one another as friends; only later in life do differences of wealth drive them apart.
   d. The only way to make money in America is to work and accumulate it yourself.

2. Why does the author of this reading mention Yale and Vassar?
   a. They are elite schools attended by many future leaders.
   b. They are where government officials have secret meetings.
   c. They try to give working-class children a chance they can't get at other schools.
   d. Their high fees impoverish working-class children.

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